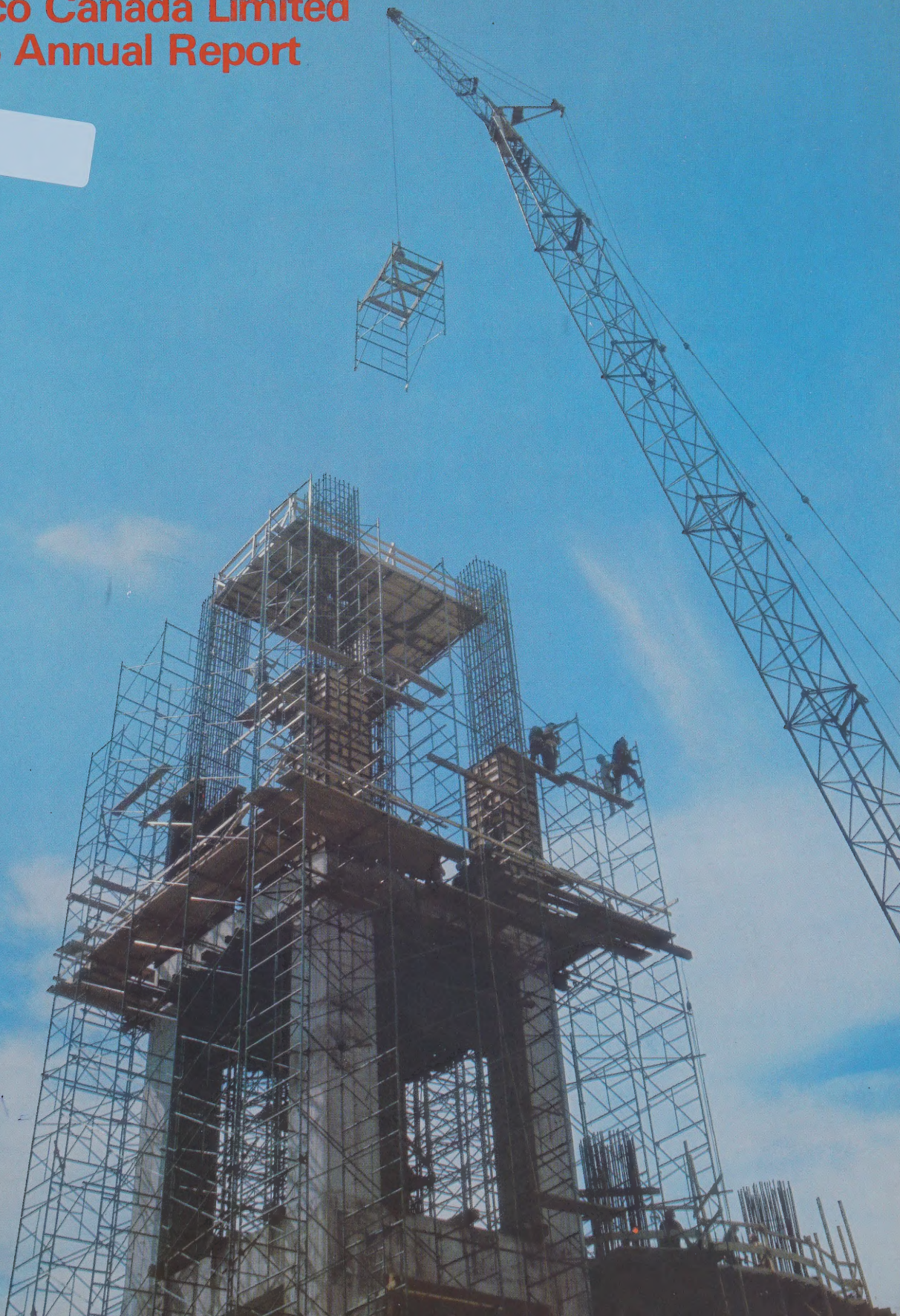
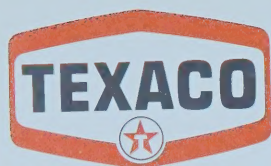


Texaco Canada Limited 1975 Annual Report

AR25





Officers

D. Fraser Bentley
Chairman of the Board
R. W. Sparks
President and Chief Executive Officer
O. C. Cleyn
Vice-President, Eastern Canada
H. T. Hudson
Vice-President and Treasurer
J. G. Light
Vice-President, Refining
J. L. Morrison
Vice-President and Assistant to the President
J. C. Wattie
Vice-President and General Manager, Sales
A. J. Galipeault
General Counsel
E. J. Little
Secretary
D. L. West
Comptroller

Subsidiary Companies

Regent Refining (Canada) Limited
Tolhurst Petroleum Ltd.
Independent Petroleum (1970) Ltd.
Chartier Petroleum Ltd.
Vesuvio Fuel Oil Co. Limited
Dnipro Fuel Oil Limited
McColl-Frontenac Oil Co. Ltd.
Public Fuel Transmission Systems Limited
Oilship Limited

Principal Investments and Percentage Interest

Federated Pipe Lines Ltd.	50	%
Trans-Northern Pipe Line Company	33.33	%
Alberta Products Pipe Line Ltd.	20	%
Montreal Pipe Line Company Limited	16	%
Norfolk Oil Limited	50	%
The Great Eastern Oil & Import Co. Limited	48.94	%

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Texaco Canada Limited
90 Wynford Drive
Don Mills, Ontario M3C 1K5

Transfer Agents in Canada:

Montreal Trust Company,
Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Registrars in Canada:

The Royal Trust Company,
Montreal, Toronto, Winnipeg, Regina,
Calgary and Vancouver

Transfer Agents and Registrars in the United States:

The Royal Bank of Canada
Trust Company,
68 William Street, New York, N.Y.

The use in this report of such terms as *Texaco Canada, Company, organization, we, us, our* and *its*, when referring to Texaco Canada Limited or to its subsidiaries and affiliates either individually or collectively, is only for convenience and is not intended to be an accurate description of corporate relationships.

*On peut obtenir un exemplaire français du présent rapport annuel en s'adressant au secrétaire de la compagnie,
90 Wynford Drive,
Don Mills, Ontario M3C 1K5*

COVER: The support structure for the Reactor-Regenerator on the Fluid Catalytic Cracking unit at Nanticoke Refinery is shown under construction.

Highlights

	1975	1974
Financial		
Gross income	\$878,390,000	\$761,820,000
Net income	\$ 51,135,000	\$ 55,049,000
Number of common shares outstanding	9,715,359	9,715,359
Net income per common share	\$5.25	\$5.65
Cash dividends paid on common stock	\$ 15,156,000	\$ 13,990,000
Cash dividends per common share	\$1.56	\$1.44
Shareholders' equity (end of year)	\$386,373,000	\$350,544,000
Total assets (end of year)	\$771,722,000	\$711,693,000
Working capital (end of year)	\$131,114,000	\$189,066,000
Property, plant and equipment expenditures .	\$141,820,000	\$ 53,754,000

Operating (Barrels daily)

Gross production of crude oil and natural gas liquids	33,467	38,889
Refinery runs	142,975	151,794
Petroleum product sales	181,744	185,692



This high-volume, three-bay service station at Markham, Ontario, features an innovative traffic distribution concept which separates pump island and car wash traffic.

To the Shareholders

For the petroleum business in Canada, 1975 can be characterized primarily as a year of governmental "overkill."

Product prices were arbitrarily established by the federal government as well as by the provinces of British Columbia, Manitoba, Ontario and Nova Scotia for varying periods. A government-determined increase of \$1.50 a barrel in the price of Canadian crude oil and the introduction of a 10 cents per gallon federal excise tax on gasoline at mid-year resulted in higher prices to the consumer without bringing badly needed earnings improvements to the oil companies. Our company, for instance, did not benefit at all from the increase since April 1974 of \$4.20 per barrel in the price of Canadian crude oil — more than 100% of the additional revenue having gone to the producing provinces and the federal government in increased royalties and taxes. The crude oil price rises, moreover, increased significantly the industry's working capital requirements.

These unilateral actions reflected the deterioration of federal-provincial co-operation on energy pricing and placed short-term political and government revenue advantages ahead of the capital formation requirements of the petroleum industry. Ironically, 1975 was the year in which Canada lost its self-sufficiency in oil, pointing to the urgent need for the industry to be able to generate vastly larger amounts of

capital for investment if energy self-reliance for Canada is to be restored.

Recent constructive actions by governments at the federal and provincial levels, however, indicate some recognition of the excessive nature of the regulations which followed the international crude oil supply crises of 1973-74, and which had their most damaging effects on the industry in 1975. These measures include some improvement by the governments of Alberta, British Columbia, Saskatchewan and Canada in the incentives to explore for oil and natural gas and the removal, by year-end, of the discriminatory controls on petroleum product prices except in Nova Scotia and British Columbia. In the case of Ontario, removal of the price freeze was followed later by public acknowledgement, in the report of the chairman of the Royal Commission appointed to investigate petroleum products pricing in this province, that the freeze of 138 days was in effect about three times longer than was necessary to accomplish the government's objective of preventing retail price increases before existing inventories were exhausted.

The loss of revenue by Texaco Canada Limited in 1975 resulting from the various product price freezes is estimated to be approximately \$23 million.

Canadian production of crude oil and natural gas liquids in 1975 was at the rate of approximately 1,753,000 barrels



R. W. Sparks

D. F. Bentley

a day, compared with 1,999,000 barrels a day in the previous year. The lower level of Canadian production reflected once again the curtailment resulting from the decision of the Canadian Government to conserve energy reserves by reducing the amount of crude oil available for export. Canadian demand for petroleum products averaged about 1,774,000 barrels daily, compared with 1,771,000 in 1974.

The industry's sales of natural gas in 1975 of about 6.2 billion cubic feet per day were at approximately the same level as in the previous year.

Although gross income of Texaco Canada Limited in 1975 increased to \$878,390,000 from \$761,820,000 in 1974, this increase was insufficient to recover fully the higher crude oil and other costs.

Consequently, in spite of the increase in gross income, the net income of the company declined in 1975 to \$51,135,000 equal to \$5.25 per common share. This was a decrease of 7.1% from the \$55,049,000 or \$5.65 a share earned in 1974.

The most significant factor contributing to the decline in the company's net income in 1975 was the inability to recover increased crude oil and other costs because of the product price freezes referred to above. Other factors contributing to this decline were higher income taxes, increased royalty rates, reduced production due to the curtailment of Canadian crude oil exports, reduced demand for light and heavy fuel oils, and interest charges on capital borrowed by the company late in 1974.

Gross production of crude oil and natural gas liquids averaged 33,500 barrels a day, compared with 38,900 barrels a day in 1974. Net production declined to 22,500 barrels a day from the previous year's level of 27,500 barrels a day. Refinery throughput averaged 143,000 barrels a day compared with 151,800 barrels a day. Sales of petroleum products of 181,700 barrels a day represented a decrease of 2.1% from the 185,700 barrels a day in 1974.

Construction of the company's new 95,000 barrels a day refinery at

Nanticoke, Ontario, is progressing. This refinery, which will be Texaco Canada's largest, is being built at a cost of more than \$400 million. Completion of the Nanticoke plant, originally planned for 1977, is now scheduled for the Spring of 1978 due mainly to delays in delivery of equipment and to the unusually severe winter conditions.

In 1976, Canadian production of crude oil and natural gas liquids is expected to decrease by about 4% below the 1975 level, due mainly to a reduced level of exports.

Domestic demand for petroleum products should increase by approximately 3.5% to an average of 1,832,000 barrels a day.

Sales of natural gas in 1976 are projected to increase to an average of 6.4 billion cubic feet per day, a rise of some 3%.

There is a vital need in Canada for an improved environment for the petroleum industry — one which is conducive to capital formation, long-range planning, investment, and operating efficiency.

Enabling Canadian crude oil prices to rise to world market levels, ending the confrontation between taxing authorities on energy matters, stimulating the search for new reserves in the frontier areas, and providing a much greater share of crude oil revenue for the oil industry — to achieve a more realistic return on investment — are matters which require urgent and high level attention in 1976.

John I. Mingay, President and Chief Executive Officer since 1972, resigned on October 31, 1975, but continues to serve as a Director of the company. Mr. Mingay, who has been a member of

Texaco Canada's Board from 1961 to 1963 and again since 1971, completed more than 38 years of service with the Texaco organization in the United States and Canada during which he made a valued and lasting contribution.

R. W. Sparks, previously Executive Vice-President and a Director, was elected President and Chief Executive Officer to succeed Mr. Mingay.

Lionel J. McGowan and Edward C. Wood, each of whom served as a Director for 16 years, did not stand for re-election at the 1975 Annual Meeting, having reached the retirement age for Board members as stipulated in the by-laws of the company. D. G. Willmot resigned in December 1975 after serving as a Director for eight years. The lengthy and valued contributions of these Directors to the Board are greatly appreciated.

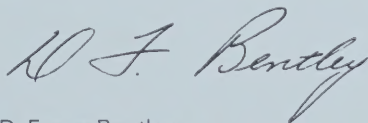
Three new Directors were elected in 1975. They are R. J. Bilodeau, Chairman of the Board of Honeywell Limited, Neil M. Shaw, President and Chief Executive Officer of Redpath Industries Limited, and J. Lee Morrison, Vice-President and Assistant to the President, Texaco Canada Limited.

Charles I. Rathgeb, Chairman and Chief Executive Officer, Comstock International Ltd., Toronto, was appointed a Director of the company, effective February 20, 1976, to succeed Mr. Willmot.

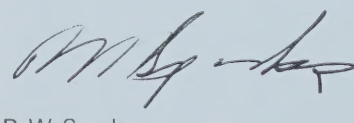
A. J. Galipeault, General Solicitor, was appointed General Counsel of the company on May 1, 1975.

The dedicated efforts of our employees and the continued confidence of our shareholders and customers are gratefully acknowledged.

Respectfully submitted on behalf of the Board of Directors,



D. Fraser Bentley
Chairman of the Board



R. W. Sparks
President and
Chief Executive Officer

Don Mills, Ontario,
March 9, 1976

Financial

Earnings

Consolidated net income of \$51.1 million in 1975 was \$3.9 million less than the 1974 earnings of \$55.0 million. Net income per common share amounted to \$5.25 in 1975 compared with \$5.65 in the previous year.

Dividends

Cash dividends paid by the company on its common shares in 1975 amounted to \$15.2 million, equivalent to \$1.56 per share. This represented an increase of 8.3% over the \$14.0 million or \$1.44 per share paid in 1974.

Gross Income

Consolidated gross income for 1975 totalled \$878.4 million, a rise of 15.3% from the previous year's level of \$761.8 million. Gross income from sales and services was \$864.5 million compared with \$754.0 million in 1974. Income from investments and other sources contributed \$13.9 million to gross income compared with \$7.8 million in the previous year.

Costs and Other Deductions

Costs and other deductions, excluding taxes, amounted to \$717.5 million, an increase of 15.9% over the 1974 total of \$619.0 million.

Taxes

Current income taxes, federal sales tax, municipal and other taxes and provincial and federal royalties amounted to \$112.2 million in 1975, an increase of 5.8%, compared with \$106.0 million in 1974. In addition, the company collected \$265.6 million in taxes, consisting of \$209.9 million on petroleum products on behalf of provincial governments and \$55.7 million in excise tax on behalf of the federal government. The latter covers the 10¢ per gallon excise tax on gasoline which went into effect on June 24.

Property, Plant and Equipment Expenditures

Property, plant and equipment expenditures of \$141.8 million in 1975 increased by \$88.0 million over the previous year. The gross investment, at year-end, in property, plant and equipment was \$606.5 million which represented an increase of 27.9% during the year.



Among applications developed recently for the versatile IBM 370/158 computer at Executive Offices was on-line handling of accounts receivable and order entry for bulk stations across Canada.

Total Assets

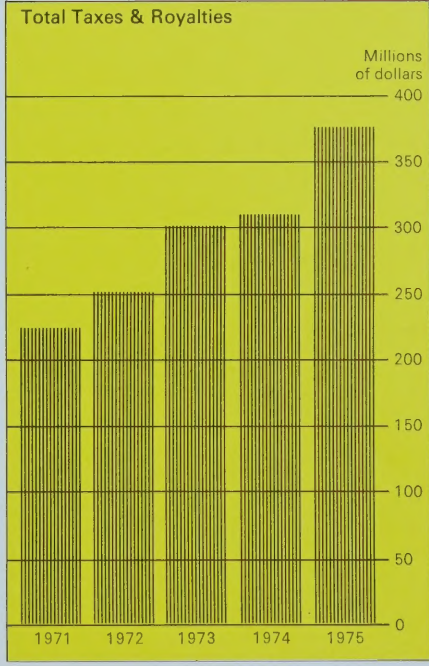
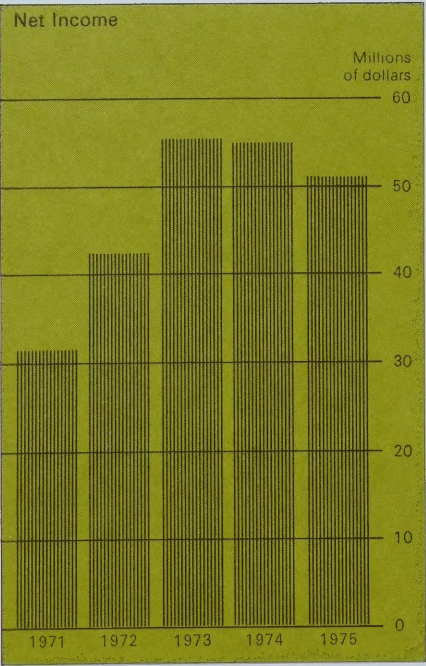
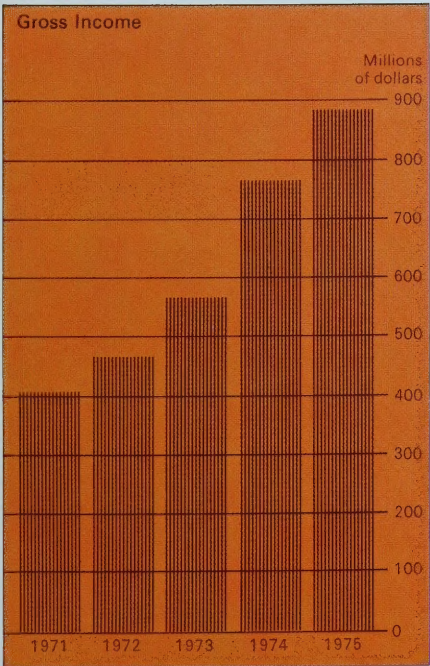
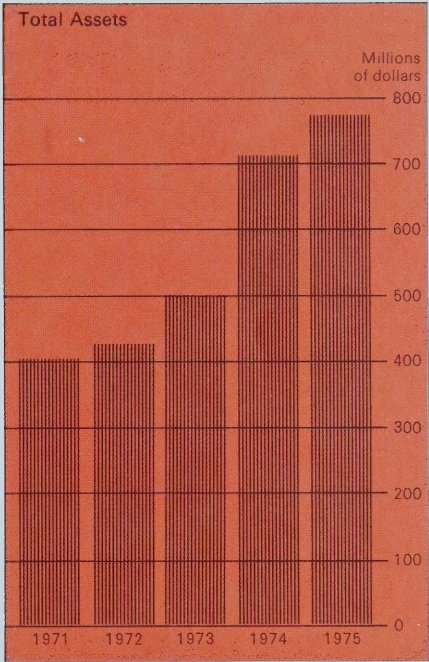
The company's total assets at year-end 1975 amounted to \$771.7 million, an increase of 8.4% from the total of \$711.7 million a year earlier.

Working Capital

Working capital of \$131.1 million was \$40.6 million greater than the \$90.5 million at the end of 1974 after exclusion of \$98.6 million net proceeds from sale of the company's 10¾% debentures, 1974 series.

Long-Term Debt

The company's long-term debt amounted at year-end to \$106.6 million compared with \$107.7 million a year earlier.



**REVIEW OF
ACTIVITIES**



Exploration and Production

LEFT: Rig drills exploratory well for Texaco Canada in Clear Hills field in northern Alberta. BELOW: Engineers discuss drilling program at Clear Hills wellsite. BOTTOM LEFT: Driller operates drawworks controls. BOTTOM RIGHT: Production clerk examines and checks gas charts at Producing Department offices in Edmonton.



The company's gross production of crude oil and natural gas liquids averaged 33,500 barrels a day in 1975, a reduction of 13.9% from the average of 38,900 barrels a day in the previous year. Net production was 22,500 barrels a day in 1975 compared with 27,500 barrels a day in 1974. This represented a decline of 18.2%, reflecting higher government royalties as well as lower gross production.

Significant geophysical activity was carried out in the Kelly-Turton and Tsoko Lake areas of the Northwest Territories, and certain programs were completed in the Elmworth and Cutbank areas of West Central Alberta. Geological studies in 1975 were concentrated in Alberta. As a result of these studies, the company augmented its land holdings with purchases of Alberta Crown acreage in five areas: a drilling reservation at Muskwa, a drilling reservation and a lease at Sturgeon Lake, two natural gas licenses at Christina-Leismer, a natural gas license at Botha River and a natural gas license at Valhalla. An oil sands permit and a natural gas license were applied for at Muskwa.

Total net acreage was reduced by surrenders due to lease selections at North Cache, Phillis Sahtaneh and Fort Nelson in British Columbia, and at East Petitot and South Normandville in Alberta. Surrenders also were made at Clear Hills and Lymburn in Alberta, at Fort Nelson, Onion Creek, Dodger-Petitot, and North Clarke Lake in British Columbia, and at Kelly-Turton Lakes in the Northwest Territories. A farmout and

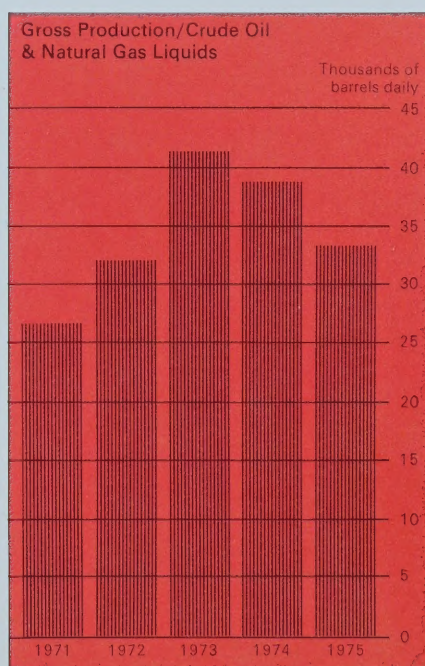
conversion to lease in the Albright-LaGlance-Valhalla area accounted for a substantial reduction.

Net land holdings at year-end amounted to 3,108,000 acres compared with 3,511,000 acres at the end of 1974.

Texaco Canada participated in the drilling of 14 wells during 1975. This resulted in 6 oil wells, 3 gas wells, 3 dry holes, and 2 wells being drilled at year-end. In addition, 9 wells were drilled by others on lands in which the company holds a royalty interest. This drilling resulted in 4 gas wells and 2 dry holes and 3 were incomplete or drilling at year-end. Additions to oil reserves were insufficient to offset production during the year although the company retains reserves sufficient for approximately 13 years production at the 1975 rate.

An independent consultant confirmed that the company's Alberta-Pembina coal leases of approximately 80,000 acres contain substantial reserves at depths of from 500 to 1,250 feet. Detailed studies to determine the full extent of these reserves are continuing.

Expenditures for exploration and production amounted to \$5.1 million in 1975 compared with \$8.2 million in 1974. This reduction in capital expenditures reflects primarily the uncertainty prevailing during the year concerning the effects of government regulations with respect to royalties and taxes.





Refining

Texaco Canada's refinery runs averaged 143,000 barrels a day in 1975 compared with 151,800 barrels a day in 1974, a decrease of 5.8% from the previous year.

At year-end, construction of the new Nanticoke refinery was about one-quarter completed, and some 1,500 people were employed on the site. The tankage, waste water treatment and power facilities, loading racks and the principal buildings are in various stages of construction, and work on the main processing units is underway.

Expansion programs at the Halifax, Montreal and Edmonton refineries will increase the company's rated capacity by 6,500 barrels a day.

Environmental protection measures continued to be emphasized at all plants. New installations in 1975 included additional vapour conservation roofs on gasoline storage tanks at all refineries. Early in 1975 the company commissioned facilities at Port Credit plant to recover sulphur from refinery fuel gas to minimize the emission of this material to the atmosphere. In addition, new federal regulations governing the quality of refinery effluent water have necessitated

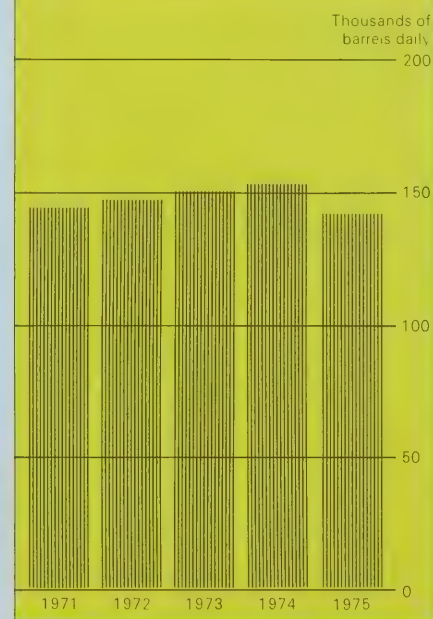
extensive modifications at the refineries. Engineering and construction work to comply with these regulations proceeded during the year.

Energy conservation projects are underway at all plants with the objective of minimizing consumption of fuel, electricity and water.

Photo at left shows portion of \$400 million Nanticoke refinery under construction. Tall stack will house six flues, while unit at left is Cat Cracker Regenerator support structure. Below, company engineer checks scale model of unit of Nanticoke plant.



Crude Oil Processed





Transportation

Texaco Canada transported an average of 382,000 barrels of crude oil and petroleum products per day during 1975.

The company took delivery of a purchased tanker, the Texaco Warrior, which entered regular service in early June. This tanker and the Texaco Chief together moved an average of 11,400 barrels per day during the 1975 season. Additional quantities were transported by chartered vessels.

The company placed an order for construction of a new product tanker of 9,300 deadweight tons for delivery early in 1977. This vessel, with a capacity of 73,000 barrels, will be the largest of Texaco Canada's three ships and will enable the company to carry most of its marine cargo in its own tankers.

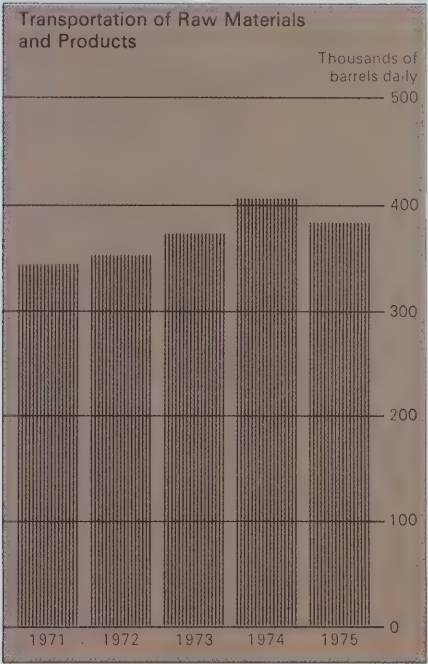
During 1975, a computer program was implemented for the surveillance of tank car movements and locations. This program permits more efficient use of tank cars and has led to a reduction in the number of leased tank cars.

Alberta Products Pipe Line Limited, 20% owned by Texaco Canada, began construction of pipeline facilities at Calgary International Airport. These facilities will make it possible to move jet fuels from Edmonton refineries directly to tankage on the airport property, replacing truck deliveries.

Trans-Northern Pipe Line Company, one-third owned, operated at near capacity, moving finished products from Toronto and Montreal area refineries to terminals at intermediate points. Trans-Northern completed and put into operation a lateral line to the new Mirabel airport, north of Montreal, for the movement of jet fuels from Montreal refineries.

Federated Pipe Lines Limited, 50% owned, transported crude oil from the Swan Hills area to Edmonton, Alberta, at a rate of slightly under 300,000 barrels per day. This rate was below the average for the previous year due to the reduction in allowable exports of Canadian crude oil.

The Portland-Montreal Pipe Line, in which the company has a 16% interest, continued to carry a variety of crude oils to the refineries at Montreal from terminal facilities at Portland, Maine. Capacity of this pipeline remained at 550,000 barrels per day throughout the year.



LEFT : The tanker Texaco Warrior joined the Texaco fleet in June.

Marketing

Sales of petroleum products averaged 181,700 barrels per day in 1975, a decline from 185,700 barrels a day in the previous year. An increase in gasoline sales was more than offset by decreases in sales of light and heavy fuels resulting from adverse economic conditions and milder weather.

Acceptance by the motorist of the self-serve concept of retailing gasoline continued to grow during the year. Texaco Canada added to the number of locations offering self-service in keeping with this growing demand. Service bays were retained or provided where

possible to enable self-service customers to have full automotive service.

Sharply increased demand for unleaded gasoline reflected the growing number of motor vehicles requiring this type of fuel.

The company's main emphasis in service station development was directed to upgrading and remodelling existing outlets, including the installation of modern car wash equipment where warranted. New service stations were constructed in strategic marketing areas. One of these was at Mirabel Airport, north of Montreal. This is the only service station permitted within the boundaries of this large new inter-



national airport or on the major access roads.

The company extended its distribution of aviation products by entering the market at Torbay Airport, St. John's, Newfoundland.

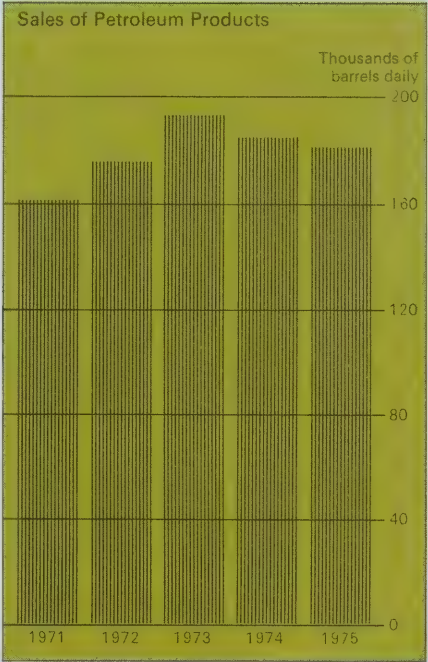
The operations of two wholly-owned fuel oil subsidiaries in the Province of Quebec were integrated into Texaco Canada during the year. A similar integration of three Ontario subsidiaries took place previously as part of the company's program to sell its heating oil directly to consumers.

Selected bulk stations and sales terminals were up-graded to provide

increased storage capacity and more efficient loading facilities.

The program of providing environmental protection facilities in keeping with government regulations was continued.

The year 1975 marked Texaco Canada's 35th consecutive season of sponsorship of the live broadcasts of Metropolitan Opera from New York on the CBC English and French language radio networks. This is the longest sponsorship of one program by the same company in the history of Canadian radio.



LEFT: Many service stations across Canada were converted to self-serve operation during 1975 because of increasing customer acceptance of this retailing concept. As was the case at this location in Don Mills, Ontario, bays were retained where possible to enable motorists to continue to have their automobiles serviced by Texaco.

Employee Relations

Texaco Canada Limited and its subsidiaries had 3,856 employees at year-end, compared with 3,846 at the end of 1974. Payroll and employee benefit costs totalled \$64.8 million in 1975, compared with \$56.2 million a year earlier.

The many employee relations programs and activities in the fields of labour relations, compensation, employee benefits, manpower planning and development, and accident prevention and loss control were continued.

Improvements were made to the Pension, Group Life, Employee Savings, Group Accident Insurance, and Group Health plans.

Texaco interviewers visited 50 universities and technological institutes under the graduate recruitment program. Of the 45 graduates employed in 1975, 21 were recruited directly through on-campus interviews.

As part of its personnel planning and development, performance appraisal programs were conducted by the company to identify available talent and utilize it to best advantage. Tuition reimbursements were provided to 164 employees under the Educational Assistance program.

The Texaco Canada Merit Scholarship program provides up to 20 scholarships each year to sons and daughters of employees. For the fifth consecutive year all 20 scholarships were awarded to successful candidates, bringing to 181 the total number awarded since the program began in 1966.

The safety program received continuing emphasis through the co-ordination of accident prevention and loss control on a company-wide basis.

Sixty-four employees received the 25-year service award in 1975. There were 530 active personnel with 25 or more years of company service at year-end. Forty-five employees retired during the year, bringing to 478 the number of former employees on pension at the end of 1975.

Public Relations

Because of widespread public misunderstanding of the petroleum industry's objectives, activities and requirements the company increased its public communications activities in 1975.

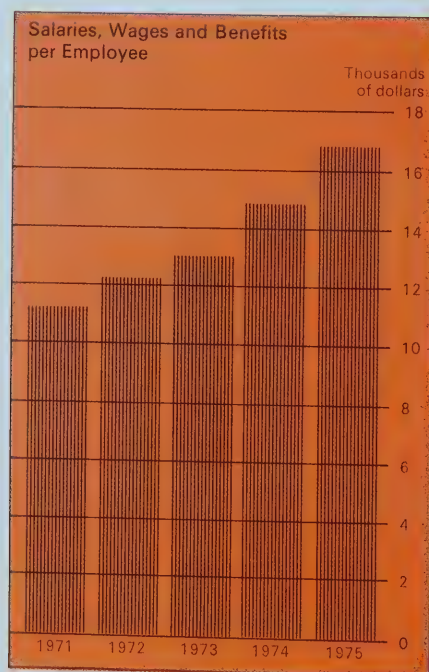
The need for eliminating the discrepancy between world and Canadian crude oil prices, abandonment by governments of arbitrary and economically unjustified interference with the market mechanism, stimulation of the search for new oil and gas reserves, and a more realistic share of crude oil revenues to the producers were among the subjects on which Texaco Canada's views were given wide distribution in 1975.

A new publication in newspaper format was launched to provide timely and more frequent information to employees about company activities and views as well as related matters of interest and importance to them.

The company responded to a growing number of inquiries and requests for information from governments, the news media, customers, educators, students and the general public. At Nanticoke, Ontario, where the company's new refinery is under construction, the community relations program was supplemented by media interviews and tours and by meetings, speeches and audio-visual presentations for interested residents of the region.

Texaco Canada, as part of its ongoing commitment to protect the environment, continued its active participation in organizations dedicated to this purpose.

The company's corporate donations program again provided financial support to worthy causes, including combined appeals, educational, cultural, health and community service institutions, particularly in areas where Texaco Canada has major facilities.



for the years ended
December 31, 1975 and 1974

* In addition, federal excise tax, provincial motor fuel and oil taxes collected from consumers were paid or accrued in the amounts of \$265,568,000 during 1975 and \$204,706,000 during 1974. The federal excise tax became effective on June 24, 1975.

for the years ended
December 31, 1975 and 1974

See accompanying accounting policies and notes to consolidated financial statements.

Consolidated Balance Sheet

December 31, 1975 and 1974

Texaco Canada Limited and Subsidiary Companies

Assets

	1975	1974
Current Assets		
Cash.....	\$ 4,249,000	\$ 3,818,000
Marketable securities — at cost.....	5,961,000	5,000,000
Due from underwriters (Note 2).....	—	98,600,000
Accounts receivable.....	175,590,000	155,993,000
Inventories		
Crude and refined oil products and merchandise.....	136,223,000	119,965,000
Materials and supplies.....	2,316,000	1,941,000
Total current assets.....	\$324,339,000	\$385,317,000
Investments and Advances (Note 1).....	\$ 34,698,000	\$ 33,590,000
 Property, Plant and Equipment, at cost		
Producing.....	\$ 93,550,000	\$ 90,404,000
Manufacturing.....	272,987,000	171,376,000
Marketing.....	222,467,000	204,978,000
Other.....	17,452,000	7,281,000
	\$606,456,000	\$474,039,000
Less: Accumulated depreciation, depletion, and amortization.....	198,578,000	186,724,000
Net property, plant and equipment.....	\$407,878,000	\$287,315,000
 Deferred Charges		
Premium paid on subsidiary companies' capital stock, less amortization.....	\$ 2,106,000	\$ 2,446,000
Prepaid expenses and other deferred charges..	2,701,000	3,025,000
Total deferred charges.....	\$ 4,807,000	\$ 5,471,000
	<u>\$771,722,000</u>	<u>\$711,693,000</u>

See accompanying accounting policies and notes to consolidated financial statements.

Liabilities and Shareholders' Equity

	1975	1974
Current Liabilities		
Notes payable and long-term debt due within one year		
Affiliated company.....	\$ 41,017,000	\$ 25,991,000
Other.....	21,000	1,158,000
Accounts payable and accrued liabilities		
Affiliated companies.....	53,120,000	76,716,000
Other.....	52,250,000	56,913,000
Sales, motor fuel and sundry taxes.....	37,212,000	22,989,000
Income taxes.....	9,567,000	12,446,000
Dividends payable.....	38,000	38,000
Total current liabilities.....	<u>\$193,225,000</u>	<u>\$196,251,000</u>
Long-Term Debt (Note 2).....	<u>\$106,634,000</u>	<u>\$107,733,000</u>
Deferred Income Taxes	<u>\$ 85,490,000</u>	<u>\$ 57,165,000</u>
Shareholders' Equity		
Preferred Stock		
4% Cumulative redeemable preferred shares of \$100 par value (redeemable at Company's option at \$102.50 on thirty days' notice)		
Authorized – 77,500 shares		
Issued – 37,500 shares.....	\$ 3,750,000	\$ 3,750,000
Common Stock and Retained Earnings		
Common shares of no par value		
Authorized – 14,926,578 shares		
Issued – 9,715,359 shares.....	\$ 33,364,000	\$ 33,364,000
Retained earnings (Note 5).....	349,259,000	313,430,000
Total common stock and retained earnings	<u>\$382,623,000</u>	<u>\$346,794,000</u>
	<u>\$771,722,000</u>	<u>\$711,693,000</u>

Approved on behalf of the Board:

R. W. Sparks, Director

H. J. Lang, Director

Consolidated Statement of Changes in Financial Position

for the years ended
December 31, 1975 and 1974

Texaco Canada Limited and Subsidiary Companies

	1975	1974
Source		
Net income.....	\$ 51,135,000	\$ 55,049,000
Depreciation, depletion, and amortization.....	18,053,000	16,752,000
Provision for income taxes – deferred.....	28,325,000	7,561,000
Equity in undistributed earnings of non- subsidiary companies (Note 1).....	(675,000)	(1,606,000)
Provided by operations.....	\$ 96,838,000	\$ 77,756,000
Additions to long-term debt (Note 2).....	—	100,000,000
Book value of property, plant and equipment sold.....	2,511,000	2,209,000
	<u>\$ 99,349,000</u>	<u>\$179,965,000</u>
Disposition		
*Property, plant and equipment expenditures...	\$141,820,000	\$ 53,754,000
Reduction in long-term debt (Note 2).....	1,099,000	2,337,000
Dividends paid – preferred stock.....	150,000	150,000
– common stock.....	15,156,000	13,990,000
Other (net).....	(924,000)	1,859,000
	<u>\$157,301,000</u>	<u>\$ 72,090,000</u>
Increase (Decrease) in Working Capital	\$(57,952,000)	\$107,875,000
Working Capital		
At beginning of year.....	189,066,000	81,191,000
At end of year.....	<u>\$131,114,000</u>	<u>\$189,066,000</u>
*Property, plant and equipment expenditures		
Producing.....	\$ 5,119,000	\$ 8,226,000
Manufacturing.....	101,762,000	21,828,000
Marketing.....	23,979,000	22,956,000
Other.....	10,960,000	744,000
	<u>\$141,820,000</u>	<u>\$ 53,754,000</u>

See accompanying accounting policies and notes to consolidated financial statements.

Texaco Canada Limited and Subsidiary Companies

Principles of Consolidation

The accounts of Texaco Canada Limited and subsidiary companies are included in the consolidated financial statements. Intercompany accounts and transactions are eliminated.

United States dollar balances included in current assets and liabilities have been translated to Canadian dollars at the rate of exchange at the end of each year. Long-term debt payable in United States dollars has been translated at rates of exchange in effect when the notes were issued.

Inventories

Inventories of crude and refined oil products and merchandise are stated at cost, determined on the first-in, first-out method, which in the aggregate are valued lower than market. Materials and supplies are stated at cost.

Investments and Advances

The Company uses the equity method of accounting for its investments in companies owned 50%, and for all significant corporate joint ventures owned less than 50%. Under this method, the Company's equity in earnings or losses of these companies is reflected currently in income rather than when realized through dividends. Investments in companies accounted for by this method reflect the Company's equity in the underlying net assets of the companies.

Investments in other non-subsidiary companies are reported at cost, and the Company's interest in the net earnings of these companies is reflected in net income when realized through dividends.

Depreciation, Depletion, and Amortization

Depreciation, depletion, and amortization of property, plant and equipment related to exploration and producing activities are determined on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable oil and gas reserves. With respect to exploration activities, the Company capitalizes lease acquisition costs and costs related to the exploration for, and development of, oil and gas reserves. As a result, finding and development costs are allocated to the periods in which revenue is recognized as the oil and gas reserves are produced and sold. For operations other than exploration and producing, depreciation is provided generally on the group plan with depreciation rates based upon estimated useful life applied to the cost of each class of property.

Deferred Income Taxes

Provision is made in the Companies' accounts to reflect the income tax effect applicable to transactions recorded in the Companies' financial statements in a reporting period different from the period in which they are reported for income tax purposes.

The deferred income taxes shown in the balance sheet represent the cumulative effect of net charges made against earnings to defer these income tax effects to appropriate future periods in the Companies' financial statements. This accounting policy allocates the income tax effect of transactions to the period in which such transactions are recorded for financial reporting purposes.

Pension Plan

The Company's group pension plan is available to substantially all employees. The cost of pension benefits is amortized over the estimated service of the employees involved. As at December 31, 1975, costs which will be incurred in future years in respect of prior service amounted to approximately \$9,163,000 on a present value basis. These costs are being funded by annual payments of \$961,000 up to and including 1989.

Notes to Consolidated Financial Statements

Texaco Canada Limited and Subsidiary Companies

1. Investments and Advances	1975	1974
Non-subsidiary companies accounted for:		
On equity basis.....	\$ 15,147,000	\$ 14,472,000
At cost.....	1,795,000	1,896,000
	\$ 16,942,000	\$ 16,368,000
Miscellaneous investments (at cost)		
Notes, mortgages and other long-term receivables.....	17,756,000	17,222,000
Total investments and advances.....	\$ 34,698,000	\$ 33,590,000

2. Long-Term Debt

The long-term debt of Texaco Canada Limited and its subsidiaries at December 31, 1975 and 1974 is as follows:

	1975	1974
10% debentures, 1974 series, due in 1994 (\$5,000,000 annual sinking fund requirement 1980 - 1993).....	\$100,000,000	\$100,000,000
Due to affiliated company		
4% Notes, due U.S. \$1,000,000 annually to 1982 (1975 U.S. \$6,000,000; 1974 U.S. \$7,000,000).....	6,466,000	7,543,000
Other long-term obligation.....	168,000	190,000
Total long-term debt.....	\$106,634,000	\$107,733,000

3. Directors' and Officers' Remuneration

Fees and other remuneration paid to directors and officers were as follows:

	1975	1974
Number of directors.....	15	14
Number of directors who receive fees as directors.....	12	11
Aggregate of such fees.....	\$55,000	\$45,000
Number of officers.....	15	15
Aggregate remuneration.....	\$1,201,000	\$1,027,000
Number of officers who are also directors....	4	3

4. Commitments and Contingent Liabilities

At December 31, 1975, \$109,012,000 had been expended on the construction of a 95,000 barrels per day refinery at Nanticoke, Ontario. The project which is estimated to cost over \$400,000,000 is expected to be completed in the Spring of 1978.

As at December 31, 1975, Texaco Canada Limited and subsidiary companies had non-cancellable leases expiring more than one year from such date covering service stations, office buildings, and other facilities. Minimum amounts payable under such commitments without reduction for related rental income are expected to average approximately \$7,900,000 annually for the next five years.

Under certain service station lease agreements, the Company is contingently liable as guarantor for loans by third parties to the lessors which total \$23,238,000 as at December 31, 1975. Annual payments are due by the lessors from 1976 through 1980 of \$1,271,000, \$1,329,000, \$2,393,000, \$4,909,000 and \$3,880,000, respectively. Included is the extension of a third party loan for \$13,500,000 to the lessor originally due in 1976, and now payable \$1,000,000 in 1978, and \$2,500,000 from 1979 through 1983 annually. The Company has an option to purchase these service stations for the outstanding amount of the contingent liability.

Texaco Canada Limited and Subsidiary Companies

Under long-term agreements with pipeline companies in which stock interests are held, the Company guarantees specified revenue from crude and refined products shipped and in the event such companies are unable to meet debt obligations, the Company may be required to advance funds against future transportation charges. The contingent liability arising from such agreements, together with certain liabilities on bank loans, discounted notes, etc., amounted to \$10,845,000 at December 31, 1975.

No losses are anticipated by reason of the above contingent obligations. In the opinion of the Company's general counsel, while it is impossible to ascertain the ultimate legal and financial liability with respect to other contingent liabilities, including lawsuits, income taxes, claims, guarantees, etc., the aggregate amount of such liability is not materially important in relationship to the total consolidated assets of the Company and its subsidiaries.

5. Dividend Restriction

The regulations of the Anti-Inflation Act, which became effective October 14, 1975, restricts the payment of dividends to October 13, 1976, to an amount which cannot be in excess of the current rate of \$1.56 per share of which \$0.39 has been paid prior to December 31, 1975.

To the Shareholders, Texaco Canada Limited:

We have examined the consolidated balance sheet of Texaco Canada Limited (a Canada Corporation) and subsidiary companies as of December 31, 1975, and the related consolidated statements of income, retained earnings, and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Texaco Canada Limited and subsidiary companies as of December 31, 1975, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 4, 1976.

ARTHUR ANDERSEN & CO.,
Chartered Accountants

Auditors' Report

Ten Year Review

Financial Summary

Financial Summary					Dividends Paid				Property, Plant and Equipment Expenditures	Payments to Governments		
Net Income (1)					Common		Preferred			Income, Operating Taxes and Royalties	Taxes Collected From Consumers	Total Taxes and Royalties
Year	Gross Income	Total	Per Common Share	Per Dollar of Gross Income	Total Cash	Per Share	Total Cash	Per Share				
	Millions	Millions			Millions		Millions		Millions	Millions	Millions	Millions
1975	\$878.4	\$51.1	\$5.25	5.8¢	\$15.2	\$1.56	\$0.2	\$4.00	\$141.8	\$112.2	\$265.6	\$377.8
1974	761.8	55.0	5.65	7.2	14.0	1.44	.2	4.00	53.8	106.0	204.7	310.7
1973	567.4	55.4	5.68	9.8	12.2	1.26	.2	4.00	31.0	89.6	212.6	302.2
1972	463.4	42.4	4.35	9.2	11.1	1.14	.2	4.00	30.6	68.1	184.4	252.5
1971	406.3	31.6	3.24	7.8	9.1	.94	.2	4.00	29.0	58.9	170.0	228.9
1970	352.8	24.7	2.53	7.0	8.5	.88	.2	4.00	23.5	52.2	159.1	211.3
1969	331.2	23.3	2.39	7.0	8.0	.82	.2	4.00	26.3	45.6	152.3	197.9
1968	310.5	21.0	2.14	6.8	7.2	.74	.2	4.00	23.4	44.3	137.6	181.9
1967	284.5	17.4	1.78	6.1	6.1	.63	.2	4.00	22.6	35.5	112.0	147.5
1966	258.2	15.3	1.56	5.9	5.8	.60	.2	4.00	17.0	30.4	100.8	131.2

Financial Condition at Year End

Year	Current Assets	Current Liabilities	Working Capital	Current Ratio	Total Assets	Long-Term Debt	Common Shareholders' Equity	
	Millions	Millions	Millions		Millions	Millions	Net Book Value	Per Share at Year End
1975	\$324.3	\$193.2	\$131.1	1.68	\$771.7	\$106.6	\$382.6	\$39.38
1974	385.3	196.2	189.1	1.96	711.7	107.7	346.8	35.70
1973	212.2	131.0	81.2	1.62	500.3	10.1	305.9	31.48
1972	154.4	91.7	62.7	1.68	426.8	22.5	262.9	27.06
1971	144.7	90.3	54.4	1.60	401.7	32.0	231.7	23.85
1970	134.1	82.8	51.3	1.62	373.4	37.5	207.3	21.33
1969	125.0	73.7	51.3	1.70	349.4	40.5	191.2	19.68
1968	122.5	86.9	35.6	1.41	334.4	30.0	176.2	18.14
1967	105.2	68.2	37.0	1.54	305.6	34.5	162.8	16.75
1966	102.5	61.6	40.9	1.66	292.1	42.4	151.9	15.63

Operations Summary

Year	in thousands of barrels daily					Shares		Shareholders		Employees	
	Production of Crude Oil and Natural Gas Liquids		Refinery Runs	Refinery Crude Oil Capacity	Petroleum Product Sales	Common	Preferred	Number at Year End		Number at Year End	Payrolls and Benefits
	Gross	Net						Common	Preferred		
1975	33.5	22.5	143.0	160.0	181.7	9,715	38	5,036	589	3,856	\$64.8
1974	38.9	27.5	151.8	160.0	185.7	9,715	38	5,197	596	3,846	56.2
1973	41.3	35.8	149.9	156.5	193.3	9,715	38	5,173	627	3,705	48.2
1972	32.0	27.9	146.9	144.0	176.4	9,715	38	5,318	679	3,705	44.7
1971	26.4	22.9	144.6	142.0	161.3	9,715	38	5,400	715	3,608	40.5
1970	23.6	20.6	139.5	142.0	149.3	9,715	38	5,732	752	3,531	36.6
1969	21.4	18.6	134.8	129.5	141.7	9,715	38	5,898	783	3,481	33.2
1968	19.0	16.5	132.6	127.5	134.2	9,715	38	5,349	828	3,441	30.1
1967	16.5	14.4	125.4	125.5	125.9	9,715	38	5,478	859	3,424	27.7
1966	14.1	12.4	113.5	124.5	115.3	9,715	38	4,581	912	3,347	25.1

(1) Year 1969 includes extraordinary item of \$1,765,000 or \$0.18 per common share representing gain on sale of an office building and land.

Texaco Products

Texaco Canada markets a wide range of top quality products under one brand name in all ten provinces. These include:

AUTOMOTIVE

SKY CHIEF Gasoline
FIRE CHIEF Gasoline
LEAD FREE Texaco Gasoline
HAVOLINE Super Premium motor oil
URSA Motor oil
TEXACO Anti-Freeze Coolant
MARFAK lubricants
TEXAMATIC transmission lubricants
MULTIGEAR lubricants

AVIATION

AVJET jet fuels
SATO synthetic turbine oils
Aviation gasolines
Aircraft engine oils
Aircraft hydraulic oils
Aircraft greases

MARINE

Outboard motor oil
Marine bunker fuels
Marine lubricants

FUEL OILS

DIESEL CHIEF
CRYSTALITE kerosene

Home heating fuels
Industrial fuels

INDUSTRIAL

Construction and mining equipment lubricants
Farm lubricants
Forest and paper industry lubricants
Gas engine lubricants
REGAL turbine oil
RANDO hydraulic oil
Metalworking lubricants and coolants
Process oils
Railway lubricants
Steel mill lubricants
Textile mill lubricants

PETROCHEMICALS

Benzene
Toluene
Xylene
Hexane
Feedstocks for chemical plants
Specialized solvents, such as:
SOLVEX
AROTEX
PARATEX

THE QUALITY LINE SPECIALTIES

OTHER

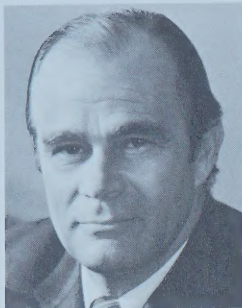
Liquefied petroleum gases
Rust proof compounds



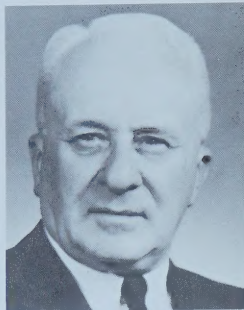
Directors of Texaco Canada Limited



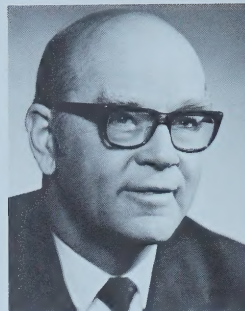
*D. F. Bentley
Chairman of the Board
Texaco Canada Limited
Toronto



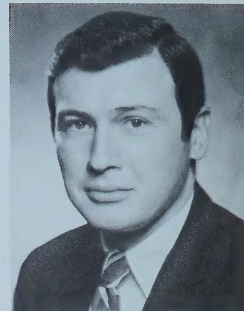
Rodrigue J. Bilodeau
Chairman of the Board
Honeywell Limited
Toronto



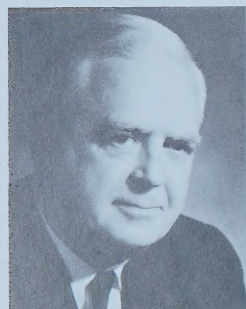
*Roland Bock
President
Bock & Tétreau Limitée
Montreal



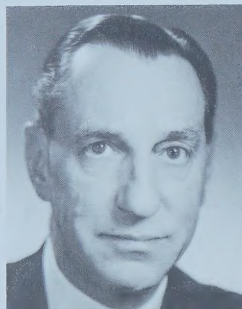
Stanley D. Clarke
President
Clarke Transportation
Canada Ltd.
Montreal



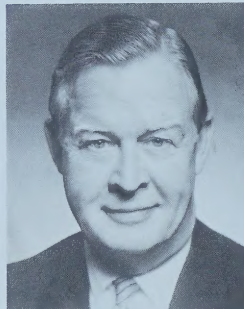
Alfred C. DeCrane, Jr.
Vice-President
Producing, Eastern Hemisphere
Texaco Inc.
New York



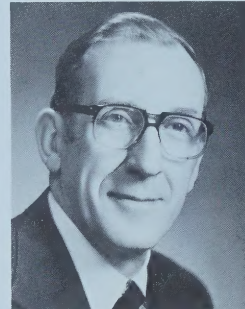
A. G. Farquharson
Retired, Formerly President
and Chief Executive Officer
Texaco Canada Limited
Bainville, Ontario



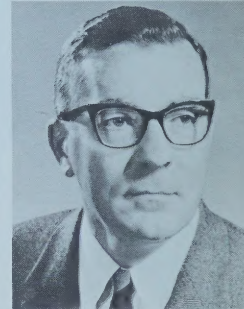
*H. J. Lang
Chairman and Chief
Executive Officer
Canron Limited
Montreal



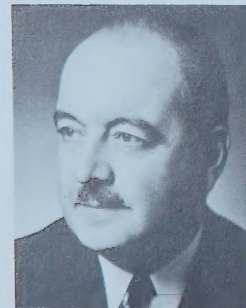
John I. Mingay
Retired, Formerly President
and Chief Executive Officer
Texaco Canada Limited
Hilton Head Island
South Carolina



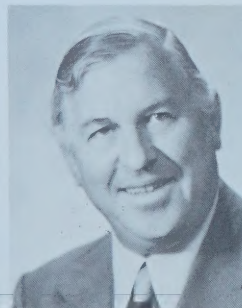
J. Lee Morrison
Vice-President and Assistant
to the President
Texaco Canada Limited
Toronto



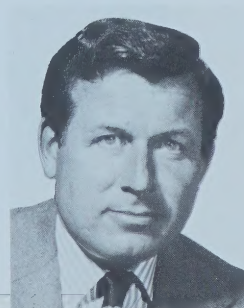
Paul Murdock
President
Murdock Lumber Inc.
Chicoutimi, Quebec



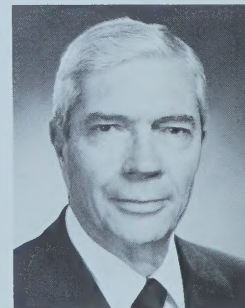
*The Hon. Victor deB. Oland
Chairman
Lindwood Holdings Limited
Halifax



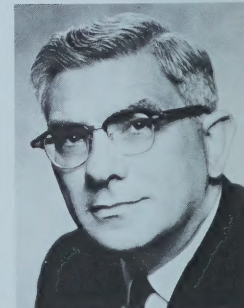
Charles I. Rathgeb
Chairman and Chief
Executive Officer
Comstock International Ltd.
Toronto



Neil M. Shaw
President and Chief
Executive Officer
Redpath Industries Ltd.
Montreal



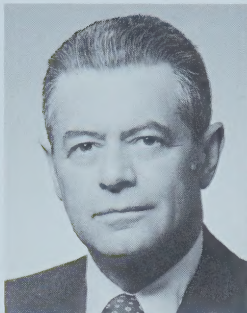
*R. W. Sparks
President and Chief
Executive Officer
Texaco Canada Limited
Toronto



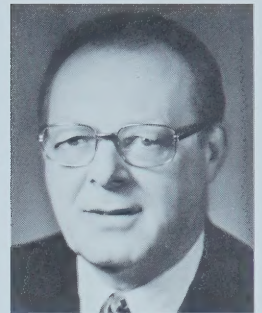
*Peter E. Wissel
Vice-President
Finance and Economics
Texaco Inc.
New York

*Member of the Executive Committee.

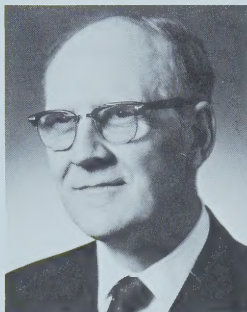
Other Officers



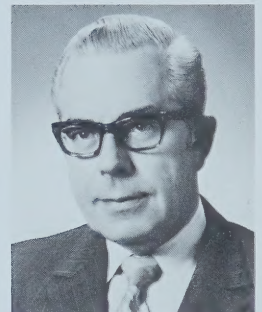
O. C. Cley
Vice-President
Eastern Canada



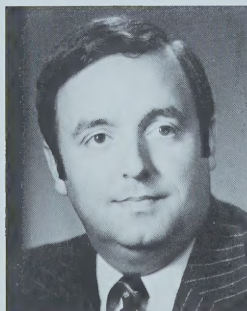
H. T. Hudson
Vice-President and Treasurer



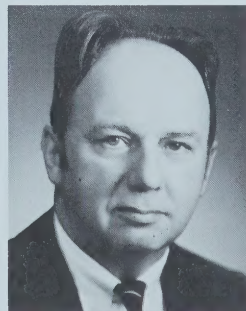
J. G. Light
Vice-President, Refining



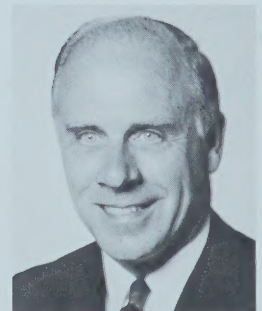
J. C. Wattie
Vice-President and General
Manager, Sales



A. J. Galipeault
General Counsel



E. J. Little
Secretary



D. L. West
Comptroller

